

## 6. Irrigation Systems (SIC 4971)

59. *Irrigation Systems.* The SBA defines irrigation systems as firms who operate water supply systems for the purpose of irrigation. The Census Bureau reports that a total of 297 firms were in operation for at least one year at the end of 1992. According to SBA's definition, an irrigation service is a firm whose gross revenues did not exceed five million dollars. The Census Bureau reported that 286 of the 297 firms listed had total revenues below five million dollars.

## B. Telephone Companies (SIC 4813)

60. *Total Number of Telephone Companies Affected.* Many of the decisions and rules adopted herein may have a significant effect on a substantial number of small telephone companies. The Census Bureau reports that, at the end of 1992, there were 3,497 firms engaged in providing telephone services, as defined therein, for at least one year.<sup>92</sup> This number contains a variety of different categories of carriers, including local exchange carriers (LECs), interexchange carriers, competitive access providers, cellular carriers, mobile service carriers, operator service providers, pay telephone operators, PCS providers, covered SMR providers, and resellers. It seems certain that some of those 3,497 telephone service firms may not qualify as small entities or small incumbent LECs because they are not "independently owned and operated."<sup>93</sup> It seems reasonable to conclude, therefore, that fewer than 3,497 telephone service firms are small entity telephone service firms or small incumbent LECs that may be affected by this Notice. Below, we estimate the potential number of small entity telephone service firms or small incumbent LEC's that may be affected by this service category.

61. *Wireline Carriers and Service Providers.* SBA has developed a definition of small entities for telephone communications companies other than radiotelephone (wireless) companies. The Census Bureau reports that, there were 2,321 such telephone companies in operation for at least one year at the end of 1992. According to SBA's definition, a small business telephone company other than a radiotelephone company is one employing fewer than 1,500 persons.<sup>94</sup> All but 26 of the 2,321 non-radiotelephone companies listed by the Census Bureau were reported to have fewer than 1,000 employees. Thus, even if all 26 of those companies had more than 1,500 employees, there would still be 2,295 non-radiotelephone companies that might qualify as small entities or small incumbent LECs. Although it seems certain that some of these carriers are not independently owned and operated, we are unable at this time to estimate with greater precision the number of wireline carriers and service providers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 2,295

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<sup>92</sup> United States Department of Commerce, Bureau of the Census, *1992 Census of Transportation, Communications, and Utilities: Establishment and Firm Size*, at Firm Size 1-123 (1995)(1992 Census).

<sup>93</sup> 15 U.S.C. § 632(a)(1).

<sup>94</sup> 13 C.F.R. § 121.201, Standard Industrial Classification (SIC) Code 4812.

small entity telephone communications companies other than radiotelephone companies that may be affected by the decisions or rules that come about from this Notice.

62. *Local Exchange Carriers.* Neither the Commission nor SBA has developed a definition of small providers of local exchange services (LECs). The closest applicable definition under SBA rules is for telephone communications companies other than radiotelephone (wireless) companies (SIC 4813). The most reliable source of information regarding the number of LECs nationwide of which we are aware appears to be the data that we collect annually in connection with the Telecommunications Relay Service (TRS). According to our most recent data, 1,347 companies reported that they were engaged in the provision of local exchange services.<sup>95</sup> Although it seems certain that some of these carriers are not independently owned and operated, or have more than 1,500 employees, we are unable at this time to estimate with greater precision the number of LECs that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 1,347 small incumbent LECs that may be affected by this Notice.

63. *Interexchange Carriers.* Neither the Commission nor SBA has developed a definition of small entities specifically applicable to providers of interexchange services (IXCs). The closest applicable definition under SBA rules is for telephone communications companies other than radiotelephone (wireless) companies (SIC 4813). The most reliable source of information regarding the number of IXCs nationwide of which we are aware appears to be the data that we collect annually in connection with TRS. According to our most recent data, 97 companies reported that they were engaged in the provision of interexchange services.<sup>96</sup> Although it seems certain that some of these carriers are not independently owned and operated, or have more than 1,500 employees, we are unable at this time to estimate with greater precision the number of IXCs that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 97 small entity IXCs that may be affected by the decisions and rules adopted in this Notice.

64. *Competitive Access Providers.* Neither the Commission nor SBA has developed a definition of small entities specifically applicable to providers of competitive access services (CAPs). The closest applicable definition under SBA rules is for telephone communications companies other than radiotelephone (wireless) companies (SIC 4813). The most reliable source of information regarding the number of CAPs nationwide of which we are aware appears to be the data that we collect annually in connection with the TRS. According to our most recent data, 30 companies reported that they were engaged in the provision of competitive access services.<sup>97</sup>

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<sup>95</sup> Federal Communications Commission, CCB, Industry Analysis Division, *Telecommunications Industry Revenue: TRS Fund Worksheet Data*, Tbl. 21 (Average Total Telecommunications Revenue Reported by Class of Carrier) (Feb. 1996) (*TRS Worksheet*).

<sup>96</sup> *Id.*

<sup>97</sup> *Id.*

Although it seems certain that some of these carriers are not independently owned and operated, or have more than 1,500 employees, we are unable at this time to estimate with greater precision the number of CAPs that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 30 small entity CAPs that may be affected by the decisions and rules adopted in this Notice.

65. *Wireless (Radiotelephone) Carriers.* Although wireless carriers have not historically affixed their equipment to utility poles, pursuant to the terms of the 1996 Act, such entities are entitled to do so with rates consistent with the Commission's rules discussed herein. SBA has developed a definition of small entities for radiotelephone (wireless) companies. The Census Bureau reports that there were 1,176 such companies in operation for at least one year at the end of 1992.<sup>98</sup> According to SBA's definition, a small business radiotelephone company is one employing fewer than 1,500 persons.<sup>99</sup> The Census Bureau also reported that 1,164 of those radiotelephone companies had fewer than 1,000 employees. Thus, even if all of the remaining 12 companies had more than 1,500 employees, there would still be 1,164 radiotelephone companies that might qualify as small entities if they are independently owned and operated. Although it seems certain that some of these carriers are not independently owned and operated, we are unable at this time to estimate with greater precision the number of radiotelephone carriers and service providers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 1,164 small entity radiotelephone companies that may be affected by this Notice.

66. *Cellular Service Carriers.* Neither the Commission nor SBA has developed a definition of small entities specifically applicable to providers of cellular services. The closest applicable definition under SBA rules is for telephone communications companies other than radiotelephone (wireless) companies (SIC 4813). The most reliable source of information regarding the number of cellular service carriers nationwide of which we are aware appears to be the data that we collect annually in connection with the TRS. According to our most recent data, 789 companies reported that they were engaged in the provision of cellular services.<sup>100</sup> Although it seems certain that some of these carriers are not independently owned and operated, or have more than 1,500 employees, we are unable at this time to estimate with greater precision the number of cellular service carriers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 789 small entity cellular service carriers that may be affected by the decisions and rules adopted in this Notice.

67. *Mobile Service Carriers.* Neither the Commission nor SBA has developed a definition of small entities specifically applicable to mobile service carriers, such as paging companies. The closest applicable definition under SBA rules is for telephone communications

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<sup>98</sup> See 1992 Census *supra* at note 92.

<sup>99</sup> See *supra* note 95.

<sup>100</sup> *Id.*

companies other than radiotelephone (wireless) companies. The most reliable source of information regarding the number of mobile service carriers nationwide of which we are aware appears to be the data that we collect annually in connection with the TRS. According to our most recent data, 117 companies reported that they were engaged in the provision of mobile services.<sup>101</sup> Although it seems certain that some of these carriers are not independently owned and operated, or have more than 1,500 employees, we are unable at this time to estimate with greater precision the number of mobile service carriers that would qualify under SBA's definition. Consequently, we estimate that there are fewer than 117 small entity mobile service carriers that may be affected by the decisions and rules adopted in this Notice.

68. *Broadband PCS Licensees.* The broadband PCS spectrum is divided into six frequency blocks designated A through F. As set forth in 47 C.F.R. § 24.720(b), the Commission has defined "small entity" in the auctions for Blocks C and F as a firm that had average gross revenues of less than \$40 million in the three previous calendar years. Our definition of a "small entity" in the context of broadband PCS auctions has been approved by SBA.<sup>102</sup> The Commission has auctioned broadband PCS licenses in Blocks A, B, and C. We do not have sufficient data to determine how many small businesses bid successfully for licenses in Blocks A and B. There were 90 winning bidders that qualified as small entities in the Block C auction. Based on this information, we conclude that the number of broadband PCS licensees affected by the decisions in this Notice includes, at a minimum, the 90 winning bidders that qualified as small entities in the Block C broadband PCS auction.

69. At present, no licenses have been awarded for Blocks D, E, and F of broadband PCS spectrum. Therefore, there are no small businesses currently providing these services. However, a total of 1,479 licenses will be awarded in the D, E, and F Block broadband PCS auctions, which are scheduled to begin on August 26, 1996. Of the 153 qualified bidders for the D, E, and F Block PCS auctions, 105 were small businesses.<sup>103</sup> Eligibility for the 493 F Block licenses is limited to entrepreneurs with average gross revenues of less than \$125 million.<sup>104</sup> We cannot estimate, however, the number of these licenses that will be won by small entities under our definition, nor how many small entities will win D or E Block licenses. Given that nearly all radiotelephone companies have fewer than 1,000 employees<sup>105</sup> and that no reliable estimate

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<sup>101</sup> *Id.*

<sup>102</sup> See *Implementation of Section 309(j) of the Communications Act -- Competitive Bidding*, PP Docket No. 93-253, Fifth Report and Order, 9 FCC Rcd 5532, 5581-84 (1994).

<sup>103</sup> See *Auction of Broadband Personal Communications Services (D, E and F blocks)*, Public Notice, DA 96-1400 (rel. August 20, 1996).

<sup>104</sup> *Amendment of Parts 20 and 24 of the Commission's Rules -- Broadband PCS Competitive Bidding and the Commercial Mobile Radio Service Spectrum Cap*, WT Docket No. 96-59, *Amendment of the Commission's Cellular/PCS Cross-Ownership Rule*, Report and Order, GN Docket No. 90-314, FCC 96-278 (rel. June 24, 1996).

<sup>105</sup> 1992 Census, Table 5, Employment Size of Firms: 1992, SIC Code 4812.

of the number of prospective D, E, and F Block licensees can be made, we assume for purposes of this FRFA, that all of the licenses in the D, E, and F Block Broadband PCS auctions may be awarded to small entities under our rules, which may be affected by the decisions and rules adopted in this Notice.

70. *SMR Licensees.* Pursuant to 47 C.F.R. § 90.814(b)(1), the Commission has defined "small entity" in auctions for geographic area 800 MHz and 900 MHz SMR licenses as a firm that had average annual gross revenues of less than \$15 million in the three previous calendar years. This definition of a "small entity" in the context of 800 MHz and 900 MHz SMR has been approved by the SBA.<sup>106</sup> The rules adopted in this Order may apply to SMR providers in the 800 MHz and 900 MHz bands that either hold geographic area licenses or have obtained extended implementation authorizations. We do not know how many firms provide 800 MHz or 900 MHz geographic area SMR service pursuant to extended implementation authorizations, nor how many of these providers have annual revenues of less than \$15 million. We assume, for purposes of this FRFA, that all of the extended implementation authorizations may be held by small entities, which may be affected by the decisions and rules adopted in this Notice.

71. The Commission recently held auctions for geographic area licenses in the 900 MHz SMR band. There were 60 winning bidders who qualified as small entities in the 900 MHz auction. Based on this information, we conclude that the number of geographic area SMR licensees affected by the rule adopted in this Order includes these 60 small entities. No auctions have been held for 800 MHz geographic area SMR licenses. Therefore, no small entities currently hold these licenses. A total of 525 licenses will be awarded for the upper 200 channels in the 800 MHz geographic area SMR auction. However, the Commission has not yet determined how many licenses will be awarded for the lower 230 channels in the 800 MHz geographic area SMR auction. There is no basis, moreover, on which to estimate how many small entities will win these licenses. Given that nearly all radiotelephone companies have fewer than 1,000 employees and that no reliable estimate of the number of prospective 800 MHz licensees can be made, we assume, for purposes of this FRFA, that all of the licenses may be awarded to small entities who, thus, may be affected by the decisions in this Notice.

72. *Resellers.* Neither the Commission nor SBA has developed a definition of small entities specifically applicable to resellers. The closest applicable definition under SBA rules is for all telephone communications companies (SIC 4812 and 4813). The most reliable source of information regarding the number of resellers nationwide of which we are aware appears to be the data that we collect annually in connection with the TRS. According to our most recent data,

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<sup>106</sup> See Amendment of Parts 2 and 90 of the Commission's Rules to Provide for the Use of 200 Channels Outside the Designated Filing Areas in the 896-901 MHz and the 935-940 MHz Bands Allotted to the Specialized Mobile Radio Pool, PR Docket No. 89-583, Second Order on Reconsideration and Seventh Report and Order, 11 FCC Rcd 2639, 2693-702 (1995); Amendment of Part 90 of the Commission's Rules to Facilitate Future Development of SMR Systems in the 800 MHz Frequency Band, PR Docket No. 93-144, First Report and Order, Eighth Report and Order, and Second Further Notice of Proposed Rulemaking, 11 FCC Rcd 1463 (1995).

206 companies reported that they were engaged in the resale of telephone services.<sup>107</sup> Although it seems certain that some of these carriers are not independently owned and operated, or have more than 1,500 employees, we are unable at this time to estimate with greater precision the number of resellers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 206 small entity resellers that may be affected by the decisions and rules adopted in this Notice.

### C. Cable System Operators (SIC 4841)

73. *Cable Systems:* SBA has developed a definition of small entities for cable and other pay television services, which includes all such companies generating less than \$11 million in revenue annually. This definition includes cable systems operators, closed circuit television services, direct broadcast satellite services, multipoint distribution systems, satellite master antenna systems and subscription television services. According to the Census Bureau, there were 1,323 such cable and other pay television services generating less than \$11 million in revenue that were in operation for at least one year at the end of 1992.<sup>108</sup>

74. The Commission has developed its own definition of a small cable system operator for the purposes of rate regulation. Under the Commission's rules, a "small cable company," is one serving fewer than 400,000 subscribers nationwide.<sup>109</sup> Based on our most recent information, we estimate that there were 1,439 cable systems that qualified as small cable system operators at the end of 1995.<sup>110</sup> Since then, some of those companies may have grown to serve over 400,000 subscribers, and others may have been involved in transactions that caused them to be combined with other cable systems. Consequently, we estimate that there are fewer than 1,439 small entity cable system operators that may be affected by the decisions and rules proposed in this Notice.

75. The Communications Act also contains a definition of a small cable system operator, which is "a cable operator that, directly or through an affiliate, serves in the aggregate fewer than 1 percent of all subscribers in the United States and is not affiliated with any entity or entities whose gross annual revenues in the aggregate exceed \$250,000,000."<sup>111</sup> The Commission has determined that there are 61,700,000 subscribers in the United States. Therefore,

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<sup>107</sup> *Id.*

<sup>108</sup> See 1992 Census *supra* at note 92.

<sup>109</sup> 47 CFR. § 76.901(e). The Commission developed this definition based on its determinations that a small cable system operator is one with annual revenues of \$100 million or less. *Implementation of Sections of the 1992 Cable Act: Rate Regulation*, Sixth Report and Order and Eleventh Order on Reconsideration, 10 FCC Rcd 7393.

<sup>110</sup> Paul Kagan Associates, Inc., *Cable TV Investor*, Feb. 29, 1996 (based on figures for Dec. 30, 1995).

<sup>111</sup> 47 U.S.C. § 543(m)(2).

we found that an operator serving fewer than 617,000 subscribers shall be deemed a small operator, if its annual revenues, when combined with the total annual revenues of all of its affiliates, do not exceed \$250 million in the aggregate.<sup>112</sup> Based on available data, we find that the number of cable systems serving 617,000 subscribers or less totals 1,450.<sup>113</sup> Although it seems certain that some of these cable system operators are affiliated with entities whose annual revenues exceed \$250,000,000, we are unable at this time to estimate with greater precision the number of cable system operators that would qualify as small cable systems under the definition in the Communications Act.

76. *Municipalities:* The term "small governmental jurisdiction" is defined as "governments of . . . districts, with a population of less than fifty thousand."<sup>114</sup> There are 85,006 governmental entities in the United States.<sup>115</sup> This number includes such entities as states, counties, cities, utility districts and school districts. We note that Section 224 of the Act specifically excludes any utility which is cooperatively organized, or any person owned by the Federal Government or any State. For this reason, we believe that Section 224 will have minimal if any affect upon small municipalities. Further, there are 18 States and the District of Columbia that regulate pole attachments pursuant to Section 224(c)(1). Of the 85,006 governmental entities, 38,978 are counties, cities and towns. The remainder are primarily utility districts, school districts, and states. Of the 38,978 counties, cities and towns, 37,566 or 96%, have populations of fewer than 50,000.

77. *Reporting, Recordkeeping, and other Compliance Requirements:* The rules proposed in this Notice may require a change in certain record keeping requirements to reflect modification of Part 31 to Part 32 accounting, as well as maintaining specific records if adjustments proposed are used by the pole owner for the development of attachment rates. We seek comment on this tentative conclusion. In addition, as proposed in this Notice, a pole owner may have to adjust his pole and conduit attachment rates.

78. *Significant Alternatives Which Minimize the Impact on Small Entities and which are Consistent with State Objectives:* The first possible option is to keep the rules in their current form, for which we have sought comment.<sup>116</sup> The alternative would be to adjudicate anomalies resulting from the current pole attachment formula on a case-by-case bases, thereby minimizing impact on all interested parties. In addition, with respect to conduit methodology, we have proposed a methodology that relies on a rebuttable presumption that an attachment occupies one

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<sup>112</sup> 47 CFR § 76.1403(b).

<sup>113</sup> See *supra* note 109.

<sup>114</sup> 5 U.S.C. § 601(5).

<sup>115</sup> United States Dept. of Commerce, Bureau of the Census, *1992 Census of Governments*.

<sup>116</sup> See *supra* para. 22.

half of a duct space. This rebuttable presumption can be used by small entities to minimize the detail required to establish certain rates for use of conduit. If such methodology was more burdensome to a small entity, such entity could use its actual records for establishing the appropriate rate. We seek comment on these methodologies and any other potential impact of these proposals on small business entities. Finally, the Notice seeks to further minimize burdens on small entities in conformance with the 1996 Act.<sup>117</sup>

79. *Federal Rules which Overlap, Duplicate, or Conflict with the Commission's Proposal:* None.

## VII. INITIAL PAPERWORK REDUCTION ACT OF 1995 ANALYSIS

80. This Notice contains either proposed or modified information collections. The Commission, as part of its continuing effort to reduce paperwork burdens and to obtain regular Office of Management and Budget ("OMB") approval of the information collections, invites the general public and OMB to comment on the information collections contained in this rulemaking, as required by the Paperwork Reduction Act of 1995. Public and agency comments are due at the same time as other comments relating to this Notice; OMB notification of action is due 60 days from date of publication of this Notice in the Federal Register. Comments should address: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's burden estimates; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on the respondents, including the use of automated collection techniques or other forms of information technology.

## VIII. PROCEDURAL PROVISIONS

81. *Ex parte Rules - Non-Restricted Proceeding.* This is a non-restricted notice and comment rulemaking proceeding. Ex parte presentations are permitted, except during the Sunshine Agenda period, provided that they are disclosed as provided in Commission's rules. See generally 47 C.F.R. §§ 1.1202, 1.1203, and 1.1206(a).

82. Pursuant to applicable procedures set forth in Sections 1.415 and 1.419 of the Commission's rules, 47 C.F.R. §§ 1.415, 1.419, interested parties may file comments on or before May 12, 1997 and reply comments on or before June 12, 1997. To file formally in this proceeding, you must file an original and six copies of all comments, reply comments, and supporting comments. Parties are also asked to submit, if possible, draft rules that reflect their positions. If you want each Commissioner to receive a personal copy of your comments, you must file an original and eleven copies. Comments and reply comments should be sent to Office of the Secretary, Federal Communications Commission, 1919 M Street, N.W., Room 222,

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<sup>117</sup> See *supra* para. 39.



Washington, D.C. 20554, with a copy to Michael T. McMenamin of the Cable Services Bureau, 2033 M Street, N.W., 801(B), Washington, D.C. 20554. Parties should also file one copy of any documents filed in this docket with the Commission's copy contractor, International Transcription Services, Inc., 2100 M Street, N.W., Suite 140, Washington, D.C. 20037. Comments and reply comments will be available for public inspection during regular business hours in the FCC Reference Center, 1919 M Street, N.W., Room 239, Washington, D.C. 20554.

83. Parties are also asked to submit comments and reply comments on diskette, where possible. Such diskette submissions would be in addition to and not a substitute for the formal filing requirements addressed above. Parties submitting diskettes should submit them to Michael T. McMenamin of the Cable Services Bureau, 2033 M Street, N.W., Room 801B, Washington, D.C. 20554. Such a submission must be on a 3.5 inch diskette formatted in an IBM compatible form using MS DOS 5.0 and WordPerfect 5.1 software. The diskette should be submitted in "read only" mode. The diskette should be clearly labelled with the party's name, proceeding, type of pleading (comment or reply comments) and date of submission. The diskette should be accompanied by a cover letter.

84. Written comments by the public must be submitted at the same time as those of the Office of Management and Budget (OMB) on the proposed and/or modified information collections on or before 60 days after publication of the Notice in the Federal Register. In addition to filing comments with the Secretary, a copy of any comments on the information collections contained herein should be submitted to Dorothy Conway, Federal Communications Commission, Room 234, 1919 M Street, N.W., Washington, D.C. 20054, or via the Internet to [dconway@fcc.gov](mailto:dconway@fcc.gov), and to Timothy Fain, OMB Desk Officer, 10236 NEOB, 725-17th Street, N.W., Washington, D.C. 20503 or via the Internet to [fain\\_t@al.eop.gov](mailto:fain_t@al.eop.gov).

## **IX. ORDERING CLAUSES**

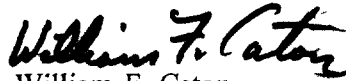
85. IT IS ORDERED that pursuant to Sections 1, 4(i), 4(j), 224, 303 and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), 154(j), 224, 303 and 403, NOTICE IS HEREBY GIVEN of the proposals described in this Notice of Proposed Rulemaking.

86. IT IS FURTHER ORDERED pursuant to Sections 4(i), 4(j), and 224 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), & 224, that the Petition for Clarification, or in the Alternative, a Waiver of Southwestern Bell Telephone Company IS DISMISSED.

87. IT IS FURTHER ORDERED that the Secretary shall send a copy of this Notice, including the IRFA, to the Chief Counsel for Advocacy of the Small Business Administration in accordance with paragraph 603(a) of the Regulatory Flexibility Act, Pub. L. No. 96-354, 94 Stat. 1164, 5 U.S.C. §§ 601, *et seq.* (1981).

88. For additional information regarding this proceeding, contact Michael T. McMenamin, Financial Analysis and Compliance Division, Cable Services Bureau (202) 418-7200.

FEDERAL COMMUNICATIONS COMMISSION

A handwritten signature in black ink, appearing to read "William F. Caton".

William F. Caton  
Acting Secretary

**APPENDIX A - POLE ATTACHMENT FORMULAS**  
(Modified as Proposed)

**Telecommunications Companies :**

Maximum Rate	=	$\frac{(\text{Space Occupied by Attachment})}{\text{Total Usable Space}} \times \text{Carrying Charge Rate} \times \text{Net Pole Investment} \times .95 \times \text{Total \# of Poles}$
Total Carrying Charge Rate	=	Administrative + Maintenance + Depreciation + Taxes + Return
Administrative Carrying Charge Rate	=	$\frac{\text{Total Administrative and General (Accounts 6710+6720+6110+6120+6534+6535)}}{\text{Gross Plant Investment} - \text{Accum. Depreciation, Account 3100} - \text{Accum. Deferred Taxes, Plant}}$
Maintenance Carrying Charge Rate	=	$\frac{\text{Account 6411} - \text{Rental Expense, Poles}}{\text{Net Pole Investment}}$
Depreciation Carrying Charge Rate	=	Depreciation Rate, Poles
Tax Carrying Charge Rate	=	$\frac{\text{Operating Taxes, Account 7200}}{\text{Gross Plant Investment} - \text{Accum. Depreciation, Account 3100} - \text{Accum. Deferred Taxes, Plant}}$
Return Carrying Charge Rate	=	Applicable Rate of Return
Space Occupied by Attachment	=	1 foot
Total Usable Space	=	13.5 feet (Subject to Rebuttal)
Gross Plant Investment	=	Account 2001
Gross Pole Investment	=	Account 2411
Net Pole Investment	=	Account 2411 - Accum. Depreciation, Poles - Accum. Deferred Income Taxes, Poles

## Appendix B

### Conversion from Former to Proposed Formulas (Noting Proposed Changes)

<u>Pole Attachment Formula Term</u>	<u>Pole Attachment Order Accounts</u>	<u>Proposed Pole Attachment Accounts</u>	<u>Proposed Changes</u>
Administrative & General Expense	Account 661, Executive department Account 662, Accounting department Account 663, Treasury department Account 664, Law department Account 668, Insurance Account 669, Accidents & damages Account 670, Earth station expenses Account 671, Operating rents Account 672, Relief and pensions Account 673, Telephone franchise requirements Account 674, General services and licenses Account 675, Other expenses Account 676, Telephone franchise requirements - Credit Account 677, Expenses charged construction	Account 6710, Executive and planning Account 6720, General and administrative Account 6110, Network support expense Account 6120, General support expense Account 6534, Plant operations administrative expense Account 6535, Engineering expense	<p>-Amounts previously recorded in Account 670, Earth station expense, and now recorded in Account 6231, Radio systems expense, are excluded. These expenses are not administrative and general expenses.</p> <p>-Accounts 671, Operating rents; 672, Relief and pensions; 677, Expenses charged construction are included only to the extent they are now recorded in Accounts 6710, 6720, 6110, 6120, 6534, and 6535.</p> <p>-Pole rents, previously recorded in Account 671, Operating rents, are now recorded in Account 6411, Poles expense, and are excluded.</p>
Maintenance Expense	Account 602:1, Repairs of pole lines	Account 6411, Poles expense, exclusive of rents	-Includes "benefits" recorded in Account 6411, Poles expense. These benefits relate to maintenance activities. Previously these benefits were recorded in Account 672, Relief and pensions.
Taxes	Account 304, Investment credits - net Account 306, Federal income taxes - Operating Account 307, Other operating taxes Account 308:1, Operating federal income taxes deferred-accelerated tax Account 308:2, Operating federal income taxes deferred - other	Account 7210, Operating investment tax credits - net Account 7220, Operating Federal income taxes Account 7230, Operating state and local income taxes Account 7240, Operating other taxes Account 7250, Provision for deferred income taxes - net  (Account 7200, Operating taxes summarizes accounts)	None

## APPENDIX C

## CONDUIT ATTACHMENT FORMULAS

$$\text{Maximum Rate} = \frac{A \times \frac{1}{B}}{2} \times C^{**} \times D$$

$$\text{Net Linear Cost of Conduit} = \frac{E-F-G^*}{I}$$

$$\text{Net Conduit Investment} = E-F-G^*$$

$$\text{Accumulated Deferred Income Taxes (Conduit)} = \frac{E \times M^*}{K}$$

$$\text{Depreciation Carrying Charge Factor} = O \times \frac{E}{H}$$

$$\text{Administrative Factor} = Q \div X$$

$$\text{Taxes Factor} = S \div J$$

$$\text{Maintenance Factor} = U \div W$$

KEY

- A = Space Occupied by CATV (1 duct)
- B = Average # of Ducts (Duct km/Trench km)
- C = Net Linear Cost of Conduit
- D = Total Carrying Charge = (N+P+R+T+V)
- E = Gross Conduit Investment (Part 32 Account 2441/Part 101 Accounts 366, 367, and 369)
- F = Depreciation Reserve (Conduit)
- G = Accumulated Deferred Income Taxes (Conduit)
- H = Net Conduit Investment
- I = Total Conduit Meter
- J = Net Plant Investment
- K = Total Gross Plant Investment
- L = Total Depreciation Reserve
- M = Total Accumulated Deferred Income Taxes\*
- N = Depreciation Carrying Charge Factor
- O = Depreciation Rate for Conduit
- P = Administrative Carrying Charge Factor
- Q = Total General and Administrative Expenses

## Appendix C (page 2 of 2)

R = Tax Carrying Charge Factor  
S = Total Current and Deferred Tax Expense  
T = Maintenance Carrying Charge Factor  
U = Conduit Maintenance Expense (Part 32 Account 6441/Part 101 Account 594)  
V = Cost of Capital (Return) = Return Authorized by State Regulatory Commission (or as described in this *Order*)  
W = Net Investment in Conduit\*  
X = Net Plant Investment\*

\* We are treating deferred taxes as most state commissions do - as a rate base deduction. If the state utility commission includes the reserve for deferred income taxes in the utility's capital structure at zero cost, we would not need to make any further adjustment.

\*\* Determining the net cost of conduit may require application of a factor for certain non conduit investment in Account 2441 or Accounts 366, 367 and 369. *See supra* para. 40 of the Notice.